STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION On Its Own Motion	)	
v.	)	No. 02-0719
CONSUMERS GAS COMPANY;	)	
Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.	)	

PROPOSED ORDER

By the Commission:

Procedural History

On November 7, 2002, the Illinois Commerce Commission ("Commission") entered an order commencing reconciliation proceedings, in accordance with the requirements of Section 9-220 of the Public Utilities Act (220 ILCS 5/9-220), which directed Consumers Gas Company ("Consumers," "Respondent" or "Company") to present evidence at a public hearing to show the reconciliation of Respondent's purchased gas adjustment clause ("PGA") revenues collected with the actual cost of such gas supplies "prudently purchased" for the 12 months ended December 31, 2002.

Notice of the filing of Respondent's testimony and exhibits was posted in Respondent's business offices and was published in newspapers having general circulation in Respondent's gas service territory, in the manner prescribed by 83 Ill. Adm. Code 255 in compliance with the Commission's Order in this proceeding.

Pursuant to proper legal notice, a hearing was held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois on April 21, 2003. Thereafter, an evidentiary hearing was held on August 21, 2003. Appearances were entered by counsel on behalf of Respondent and by members of the Accounting Department of the Financial Analysis Division and Engineering Department of the Energy Division of the Commission ("Staff"). Evidence was presented by Respondent, and at the conclusion of the hearing on August 21, 2003, the record was marked "Heard and Taken".

Nature of Operations; Gas Procurement Practices; Reconciliation of PGA Revenues and Costs

Respondent's main office is located in Carmi, Illinois. Respondent provides gas service to approximately 6,000 customers, including the New Shawneetown and Equality municipal systems which are each counted as one customer, in Gallatin, White and Edwards Counties.

C.A. Robinson, Consumers' President, described the Company's procedures for procurement of natural gas for resale. He testified that Texas Eastern Transmission Corporation ("Texas Eastern") is the only pipeline company serving Respondent and that there is no other pipeline in close proximity to serve the Company. Mr. Robinson stated that in 2002, Consumers purchased 51.36% of its gas from the spot market; 31.96% from the futures market; and 16.68% from storage which is used primarily on high demand days to keep demand charges down. Local gas was unavailable in 2002. He also stated that the Company transported gas for one designated end user in 2002.

Mr. Robinson testified that for 10 years, respondent had a contract with J.D. Woodward, its gas marketer, to buy gas at the Kosciusko, Mississippi Gas Exchange. Mr. Robinson stated that these index purchases are firm in that Woodward guarantees delivery of all Consumers' gas requirements subject to its maximum daily entitlement on the pipeline. He further testified that Respondent determines its volume of spot gas to be purchased on the basis of historic usage, and that the price is based on the index price on the first Monday of the month from Natural Gas Weekly for gas on the Kosciusko Gas Exchange or the futures price when the Company prebuys to obtain a lower gas cost. He stated that the marketer's charge for its services is $0.10 per DTH and 103% of the index price for firm supply. Mr. Robinson testified that the Company's gas purchases in 2002 were prudently made.

Respondent's contract with J.D. Woodward expired October, 2002, and the Company is now on a month-to-month basis on the same terms as included in the prior contract. Respondent has had difficulty in obtaining a new contract with Woodward and is hopeful a new contract with Woodward will be in place before the upcoming winter. Mr. Robinson stated that Respondent has previously purchased, on the futures market, approximately 40% of its needed winter gas supply.

Mr. Robinson also stated that Respondent checks all gas bills as to accuracy and also verifies the volume billed with check meters at each of Respondent's three take points.

With respect to the Company's reconciliation of PGA revenues with actual costs, Consumers' reconciliation is contained in Revised Statement 1 of its Exhibit 3. According to Statement 1, the Company had PGA revenues of $3,844,816 in 2002. When compared to gas costs, Consumers had an over-collection of PGA revenues of $187,743 for the 12 months ended December 31, 2002.

Staff's Position

Theresa Ebrey, an accountant in the Accounting Department of the Commission's Financial Analysis Division, testified that Staff reviewed Respondent's filing and performed various tests concerning the revenues collected and costs recoverable under the PGA clause. She recommended the acceptance of Respondent's reconciliation of revenues collected under the PGA with actual costs as reflected on Statement 1 of Consumers' Exhibit 3.

Dennis L. Anderson, a Senior Energy Engineer in the Gas Section of the Engineering Department of the Commission's Energy Division, stated that Staff reviewed Respondent's testimony and Respondent's responses to numerous Staff data requests that directly addressed issues related to the prudence of Respondent's natural gas purchasing. Mr. Anderson testified that, using the Commission's criteria for prudence, he determined that Consumers' natural gas purchasing decisions during the reconciliation period were prudent.

As noted above, according to Statement 1 of Company Exhibit 3, the Company had an over-collection of PGA revenues of $187,743 for the 12 months ended December 31, 2002. When this amount is reflected in the reconciliation, the requested Factor O is calculated to be $52,348. Staff recommended that the Commission direct Respondent to refund this over-recovered amount of $52,348 in its first monthly PGA filed after the date of the Order in this docket.

Commission's Conclusions, Findings and Ordering Paragraphs

The Commission concludes that the 2002 PGA reconciliation for Respondent, set forth in the Appendix hereto, is reasonable and should be approved.

The Commission, having considered the entire record herein, is of the opinion and finds that:

(1) Consumers is an Illinois corporation engaged in the distribution of natural gas to the public in Illinois, and is a public utility within the meaning of the Public Utilities Act;

(2) the Commission has jurisdiction over Respondent and of the subject matter of this proceeding;

(3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(4) the evidence indicates that Respondent acted reasonably and prudently in its purchases of natural gas during calendar year 2002;

(5) the cost of purchased gas has been reconciled satisfactorily with the revenues received for such gas during calendar year 2002;

(6) Respondent experienced an over-recovery of PGA costs for calendar year 2002 of $187,743, and an over-recovery balance at December 31, 2002 of $38,392; $13,956 has been collected through the Company's adjustment factor (Factor A); the combination of the over-recovery balance and Factor A results in a requested Factor O collection of $52,348 over-recovery; this Factor O should be refunded in the first monthly PGA filing following the date of this Order.

IT IS THEREFORE ORDERED that the reconciliation of the costs actually incurred for the purchase of gas with the revenues received for such gas by Consumers for calendar year 2002, set forth in the Appendix hereto, is approved.

IT IS FURTHER ORDERED that Consumers refund $52,348 through Factor O in its first monthly PGA filed following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this _____ day of ____________________, 2003.

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Chairman

(S E A L)